

SUBJECT: Changing requirements for the Teacher Retirement System

COMMITTEE: Pensions — committee substitute recommended

VOTE: 6 ayes — Flynn, Alonzo, Hefner, Huberty, Paul, J. Rodriguez
0 nays
1 absent — Anchia

SENATE VOTE: On final passage, April 19 — 31-0, on Local and Uncontested Calendar

WITNESSES: *On House companion bill, HB 4078:*
For — (*Registered, but did not testify*: Thomas Parkinson)

Against — None

On — Brian Guthrie, Teacher Retirement System of Texas

BACKGROUND: Observers have raised the issue of whether certain revisions to the Teacher Retirement System of Texas (TRS) could make the delivery of benefits more efficient.

DIGEST: SB 1663 would revise benefits and fees administered by the Teacher Retirement System of Texas (TRS).

Benefits. The bill would revise provisions regarding the transfer of a beneficial interest in a retiree's optional retirement annuity when the retiree designated a spouse as beneficiary of the annuity. The bill would require the spouse or former spouse, as applicable, who was designated the beneficiary of the annuity to sign a notarized consent to the change or require a court with jurisdiction over the retiree's marriage to the beneficiary to approve or order the change. The change in plan selection would take effect when TRS received the request to change the plan, provided TRS subsequently received the signed consent form or court order, as applicable.

When determining whether to reduce the optional retirement annuity amount because of early retirement and in determining the amount of that reduction, if applicable, the bill would require TRS to make the determination as if the member had retired with an additional five years of service credit on the last day of the month preceding the month in which the member died.

The bill would entitle certain retirees to service or disability retirement benefit payments for any month in which the retiree was employed in any position by a public educational institution. A retiree would be considered employed by a public educational institution if the retiree:

- performs duties or provides services for or on behalf of the institution that an employee of the institution would otherwise perform or provide;
- waives, defers, or forgoes compensation from the institution for the performed duties or provided services at any time during the 12 consecutive months after the retiree's effective date of retirement;
- performs duties or provides services for or on behalf of the institution as an independent contractor at any time during the 12 consecutive months after the retiree's effective date of retirement;
- or
- as a volunteer without compensation, performs the same duties or provides the same services for an institution that the retiree performed or provided immediately before retiring and the retiree has an agreement to perform those duties or provide those services after the 12 consecutive months after the retiree's effective date of retirement.

These provisions would apply to a TRS retiree regardless of whether the person retired from employment before, on, or after the bill's effective date.

Fees. The bill would require an employer that failed to follow requirements for remitting monthly member and employer deposits to pay

TRS a late fee. TRS would determine the fee based on the size of the employer. The late fee would be capped at \$1,000 for each business day after the deadline that the employer failed to submit the required documentation of all member and employer deposits. The late fee per reporting period would be capped at \$25,000.

The bill would require an employer to pay TRS, in addition to the deposits for employed retirees, interest on the unpaid amounts at a specified annual rate compounded monthly and a late fee in an amount determined by TRS for each business day after the deadline that the employer failed to file the required documentation and certified statement.

Reporting assets. The bill would require TRS assets to be maintained and reported in accordance with generally accepted accounting principles prescribed by the Governmental Accounting Standards Board or its successor.

Exemptions. TRS would exempt state employees who were required to work out-of-state from statutory provisions related to benefits and restrictions to the extent that the TRS board determined it necessary for the performance of fiduciary duties. The bill would exempt all personal financial disclosures made by TRS employees from the Public Information Act.

The provisions regarding personal financial disclosures would take immediate effect if finally passed by a two-thirds record vote of the membership of each house.

Retirees Advisory Committee. The bill would decrease the number of appointed members on the Retirees Advisory Committee from nine to seven by removing two auxiliary personnel positions. The committee members in the auxiliary personnel positions could continue serving for the remainder of their term.

Other provisions. The bill would prohibit a student employee at a public higher education institution from being eligible for TRS service credit.

The bill would allow TRS to send TRS members and retirees information regarding TRS contributions and benefit summaries to members' email addresses.

Effective date. Except as otherwise provided, the bill would take effect September 1, 2017.

NOTES: A companion bill, HB 4078 by Flynn, was considered in a public hearing and left pending in the House Pensions Committee on May 1.